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AUG 21 2019

UNITED STATES BANKRUPTCY COURT

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SOUTHERN DISTRICT OF OHIO (DAYTON)

RICHARD JONES
CLERK OF COURT
U.S. BANKRUPTCY COURTRICHARD JONES
CLERK OF COURT
U.S. BANKRUPTCY COURT

TAGNETICS INC.

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CASE NO. 19-30822

INVOLUNTARY DEBTOR

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CHAPTER 7

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JOINT STATUS REPORT REGARDING SETTLEMENT**FROM: Jonathan Hager, Ronald Earley, Kenneth Kayser**

The parties currently have not agreed on the details of the settlement agreement between Tagnetics and Kayser, Earley, Hager. A draft settlement agreement was received from Tagnetics counsel on Wednesday August 14 at 6 pm. Kayser, Earley, Hager proceeded to review the draft settlement agreement including seeking legal counsel review. The settlement agreement included terms that had not been agreed to during the closing hours prior to the scheduled court case. Kayser, Earley, Hager have conveyed the concerns to Tagnetics counsel whose has stated these were the terms that were agreed.

Settlement discussion began with an email from Kayser on July 20 with 3 main elements; a) a cash settlement, b) a mutual release of issues arising from employment and the bankruptcy case, and a requirement that the settlement would not affect other independent agreements Earley and Kayser had with Tagnetics whose terms are tied to a future sale or successful liquidation event of Tagnetics. Tagnetics only negotiated the cash payment terms including discussion about disposition of missed settlement payments. A discussion was held about mutual releases since Tagnetics had requested only a partial release for Tagnetics. The final correspondence on Friday July 26 clarified the terms of the cash settlement terms and the mutual release.

The draft settlement agreement extended beyond those terms the parties had agreed including seeking to eliminate the independent prior agreements between Tagnetics and Kayser and Tagnetics and Earley. Additionally, the draft agreement did not include any repercussions to Tagnetics if payments are not made since it requested a full release from the bankruptcy case with prejudice and called out releases to Tagnetics for any breach of any agreements.

Kayser, Earley and Hager are interested in settling this case allowing Tagnetics to continue toward success, meeting its obligations and creating value for its shareholders. We expect settlement terms that reflect exactly the verbal agreement reached on July 26, 2019 in order to convince us to agree to cancellation of the trial. Our filing of the involuntary bankruptcy petition was addressing the past due salary Kayser, Earley and Hager were owed as related to their employment with Tagnetics. We expect the settlement agreement to reflect the terms we agreed to.

Since the flurry of activity on July 26, there has been little activity to get this settled. We do not believe there has been a good faith effort by Tagnetics to get this settled, nor do we believe without the pressure of a pending trial date that this will be settled. There is no acceptable settlement agreement at this time. We respectfully request that a new trial date be set.

/s/ Jonathan Hager 8/21/2019

/s/ Kenneth W Kayser 8/21/2019

/s/ Ronald Earley 8/21/2019